



Report  junction.com

## **24th Annual Report 2001-2002**

**RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED**



## Rashtriya Chemicals and Fertilizers Limited

"Priyadarshini", Eastern Express Highway, Sion, Mumbai - 400 022.

### ANNUAL REPORT 2001 - 2002

#### CONTENTS

	<i>Page No.</i>
1. Board of Directors .....	3
2. Notice .....	4
3. Directors' Report .....	6
4. Auditors' Report .....	25
5. Balance Sheet as at 31st March, 2002 .....	29
6. Profit & Loss Account for the year ended 31st March, 2002 .....	31
7. Schedules to the Balance Sheet .....	33
8. Schedules to the Profit & Loss Account .....	43
9. Cashflow Statement .....	68



## Board of Directors

1. **Mr. D.K. Varma**  
Chairman and Managing Director
2. **Mr. S. Balan**  
Director [Finance]
3. **Mr. U.S. Jha**  
Director [Marketing]
4. **Mr. H.P. Pota**  
Director [Technical]  
[From 28.5.2002]
5. **Ms. Swantatra K Sekhon**  
Executive Director  
FICC  
Sewa Bhavan  
New Delhi 110 001
6. **Mr. Balvinder Kumar,**  
Jt. Secretary  
Department of Fertilizers  
New Delhi 110 001  
[From 12.4.2002]
7. **Mr. Vishwas S. Dhumal**  
Secretary [Industries]  
Govt. of Maharashtra  
Mumbai 400 020
8. **Mr. H.C.P. Sinha**  
Director [Tech]  
[Upto 30.10.2001]
9. **Ms. S. Bhavani**  
Director  
Deptt. of Fertilizers  
New Delhi  
[Upto 12.4.2002]
10. **Mr. H.S. Kamath**  
Chairman & Chief Executive  
Heavy Water Board  
Vikram Sarabhai Bhavan  
Anushakti Nagar  
Mumbai 400 094  
[Up to 28.6.2002]

### Company Secretary

Mr. K.C. Prakash

### Bankers

State Bank of India  
Commercial Branch,  
Swastik Chamber  
Chembur,  
Mumbai 400 071

### Statutory Auditors

M/s T.R. Chadha & Company, Mumbai.  
M/s Chandulal M. Shah & Company,  
Ahmedabad.  
M/s Gala & Gala, Mumbai.

### Share Transfer Agent

M/s Intime Spectrum Registry Limited  
260 Shanti Industrial Estate  
Sarojini Naidu Road  
Mulund [West]  
Mumbai 400 080.

### Registered Office

"Priyadarshini"  
Eastern Express Highway,  
Sion, Mumbai 400 022.



RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

**Registered Office:** "Priyadarshini", Eastern Express Highway  
Sion, Mumbai 400 022

### Notice

#### TWENTY FOURTH ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the TWENTY FOURTH ANNUAL GENERAL MEETING OF THE MEMBERS OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED will be held at Sivaswamy Auditorium, The Fine Arts Cultural Centre, Plot No. 16 & 21, R.C. Marg, Near Chembur Railway Station, Chembur, Mumbai 400 071 on Friday, the 30th day of August, 2002 at 3 PM. to transact the following business:

##### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2002 and Balance Sheet as at that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend, if any.
3. To fix remuneration of Auditors.
4. To appoint a Director in place of Shri S. Balan, Director, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Ms. S.K.Sekhon, Director, who retires by rotation and being eligible, offers herself for reappointment.

##### SPECIAL BUSINESS:

6. To appoint Shri Balvinder Kumar, Jt. Secretary, Department of Fertilizers as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 255, 257 and other applicable provisions of the

Companies Act, 1956, if any, Shri Balvinder Kumar be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

7. To appoint Shri H.P. Pota, as Director of the Company and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 255, 257 and other applicable provisions of the Companies Act, 1956, if any, Shri H.P. Pota be and is hereby appointed as Director of the Company who shall be liable to retire by rotation".

8. To delist the shares of the Company from Delhi, Calcutta and Madras Stock Exchanges, and to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT, subject to the necessary approvals if any required from Govt. and/or any other authorities, approval is hereby accorded to the Board of Directors for delisting the equity shares of the Company from Delhi Stock Exchange, Calcutta Stock Exchange and Madras Stock Exchange".

By order of the Board of Directors

**K.C. Prakash**  
Company Secretary

Date : 08.07.2002  
Place : Mumbai

## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

**Notes:**

1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and that the said proxy need not be a Member of the Company. The instrument appointing the proxy shall be deposited at the Registered Office of the Company not later than forty-eight hours before the time fixed for holding the meeting.
2. Register of Members and Share Transfer books will be closed from 19th August, 2002 to 30th August, 2002 [both days inclusive]. Members' attention is invited to the letter dated 3-6-2002 requesting for ECS mandate. Those of the members who have not sent the particulars of their bank account are requested to send the same at the earliest.
3. Members are requested to notify immediately any changes in their address to the Company or its Transfer Agents M/s Intime Spectrum Registry Ltd., 260, Shanti Industrial Estate, Sarojini Naidu Road, Mulund [W], Mumbai 400 080.
4. Any clarifications needed by the members of the Company may be addressed to the Company Secretary at the Registered Office of the Company at least seven days prior to the date of Annual General Meeting.

*The following Explanatory Statement sets out the material facts referred to in Items No. 6, 7 and 8 of the Notice convening the 24th Annual General Meeting:*

**Item No. 6**

Shri Balvinder Kumar, who was appointed as Additional Director of the Company, in the 233rd Board Meeting pursuant to Section 260 of the Companies Act, 1956 and Article 81 [5] of Articles of Association of the Company, will hold the office till the date of 24th Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Shri Balvinder Kumar, for the office of Director of the Company. Shri Balvinder Kumar,

IAS, is presently the Jt, Secretary, Department of Fertilizers, New Delhi. His immense knowledge and the vast experience in various Government Department he possess, would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Shri Balvinder Kumar, is interested in the above Resolution.

**Item No. 7**

Shri H.P.Pota, who was appointed by President of India as whole time Director [Technical] of the Company, w.e.f. 28th May, 2002 pursuant to Section 260 of the Companies Act, 1956 and Article 81 [5] of Articles of Association of the Company, will hold the office till the date of 24th Annual General Meeting.

Notice Under Section 257 of the Companies Act, 1956 has been received by the Company, from a shareholder signifying his intention to propose the candidature of Shri H.P.Pota, for the office of Director of the Company. Shri H.P.Pota was the Executive Director of RCF. His immense knowledge and the vast experience in the Company, would greatly benefit the Company if he is on the Board of Directors of your Company.

None of the Directors, other than Shri H.P.Pota, is interested in the above Resolution.

**Item No. 8**

The Company's shares are actively traded only on Bombay Stock Exchange and National Stock Exchanges. As there is no trading on other Stock Exchanges, it is felt that the Company's shares may be delisted from the other exchanges viz. Delhi Stock Exchange, Calcutta Stock Exchange and Madras Stock Exchange.

By order of the Board of Directors

**K.C. Prakash**  
Company Secretary

Date : 08.07.2002  
Place : Mumbai



## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

### Directors' Report

The Directors of your Company have pleasure in presenting their 24<sup>th</sup> Annual Report on the working of the Company together with the Audited Accounts for the year ended 31st March, 2002.

#### 1.0.0 GENERAL:

Your Company maintained its good performance during the current financial year also, achieving a gross turnover of Rs.2099 crore inspite of adverse conditions in many parts of the country and the perpetual gas constraint, which affected the production at the plants.

#### 2.0.0 FINANCIAL PERFORMANCE:

##### 2.1.0 Financial highlights for the year 2001-2002 :

During the financial year under review, the Gross profit from the operations was Rs.187.86 crore. The Profit Before tax was Rs.52.61 crore and the net Profit after Tax was Rs.24.21 crore. Significantly, provision of deferred tax liability made to the extent of Rs.24.15 crore, higher depreciation of Rs.17.78 crore and substantial increase in raw material cost essentially due to use of Naphtha contributed to the reduction in net Profit after Tax. In addition to these, the energy consumption has also gone up due to fluctuation in gas supply which resulted in frequent disruption in the operations of the plants.

Considering the constraints under which the operations are undertaken, your Company has been able to perform well.

##### Summary of financial performance:

	Rs. Crore	
	2001-2002	2000-2001
Turnover and other income	2099.45	2137.93
Cost of Sales	1911.59	1937.10
<b>Gross Profit</b>	<b>187.86</b>	<b>200.83</b>
Depreciation	76.88	59.10
Interest [Net]	58.37	72.57
<b>Profit before tax</b>	<b>52.61</b>	<b>69.16</b>
Provision for current taxation	4.25	4.19
Provision for deferred tax	24.15	—
<b>Net Profit</b>	<b>24.21</b>	<b>64.97</b>

#### 2.2.0 Dividend:

The Board of Directors recommended payment of dividend at the rate of 2% of the share capital, which would absorb Rs.11.03 crore from the Net Profit.

#### 2.3.0 Appropriation to General Reserves:

The Company's net profit after provision for the interest and depreciation works out to Rs. 52.61 crore. After making a provision for current year taxation to the extent of Rs.4.25 crore, deferred tax liability of Rs.24.15 crore and setting aside Rs. 11.03 crore towards recommended dividend, the balance of Rs. 13.18 crore in the Profit and Loss Account is proposed to be transferred to the General Reserve. In line with Accounting Standard 24 issued by the Institute of Chartered Accountants of India, the deferred tax liability to the extent of Rs.170.95 crore has been transferred from General Reserve Account to Deferred Tax Liability Account. The balance in reserves therefore is Rs.681.47 crore.

#### 2.4.0 Public Deposit Scheme

Your Company's Public Deposit Scheme has been discontinued and the Company did not renew any existing deposits or accepted fresh deposits. As on 31<sup>st</sup> March, 2002, Public Deposits stood at Rs.0.18 crore as against Rs.1.89 crore on the corresponding date of the previous year.

#### 3.0.0 MANAGEMENT DISCUSSION AND ANALYSIS:

##### 3.1.0 Operational results :

##### 3.1.0 Production

##### 3.1.1 Fertilizers

During the Financial Year, your Company produced 21.10 lakh MT of Fertilizers compared to 21.72 lakh MT in the previous year. The overall capacity utilization was 85.23%. The Trombay Plants produced 6.59 lakh MT [complex 6.20 lakh MT, Urea 0.39 lakh MT] during the year 2001-2002 as compared to 8.43

## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED



lakh MT during the previous year. The Trombay Unit achieved a capacity utilization of 66.52%. Thal Unit produced 14.51 lakh MT of Urea during the year compared to 13.29 lakh MT of Urea produced in the last year, which amounted to 98% of the total installed capacity at the Unit. As your Company has commissioned the naphtha feedstock supplement project by which the unit can be operated by partly using naphtha as feedstock, higher level of production could be maintained at Thal. However, with dual feedstock, efficiency parameters are slightly affected. Thus the production at both the units were severely affected due to the constraint in the availability of feed stock gas. The quantity and the pressure of gas supplied by GAIL were below the normal requirement. Production of complex fertilizers was also affected since the changing market scenario forced operations to optimise the product mix below the capacity levels.

### 3.1.2. Industrial Products:

Your Company produces a number of Industrial products such as Methanol, Methylamines, Sodium Nitrate/Nitrite, Ammonium Nitrate Melt, Ammonium Bi-Carbonate etc. The production of industrial products during the year was 1.16 lakh MT as compared to 1.00 lakh MT during the previous year.

### 3.2.0 Marketing Performance

#### 3.2.1 Fertilizers

Your Company achieved a total sales volume of 22.24 lakh MT during 2001-2002 inspite of adverse market conditions compared to 23.30 lakh MT during the previous year. The volume of sale was constrained due to lower availability of product as well as due to severe drought in parts of Maharashtra, the prime market of your Company, and in other States such as Andhra Pradesh and Karnataka. Loss of production of about 0.55 lakh MT during October, 2001 also affected the sale during the period under reference.

In view of the market conditions, trading activity was maintained at the same level as that of last year i.e. about 1.38 lakh MT as against

1.34 lakh MT in previous year. Your Company sold 1.28 lakh MT of Imported fertilizers, essentially MOP, during the year as against 0.98 lakh MT in the previous year.

#### 3.2.3 Industrial Products

The Industrial Products Division maintained its good performance during the year 2001-2002. The division achieved a turnover of Rs.282 crore despite continued severe recession and fierce competition both from domestic and international markets.

#### 3.2.4 Exports

Export turnover for the year 2001-2002 has been of Rs.0.48 crore as against Rs.0.37 crore during the previous year. Your Company could not sell more of its products due to stiff international competition and would endeavour to increase exports to higher limits.

#### 3.3.0 The Fertilizer Industry:

While urea is under statutory price, distribution and movement control of the Government of India, Phosphatic and Potasic fertilizers continue to be under the indirect control of the Central and State Governments. The fertilizer industry in the country has about 121 lakh MT of nitrogen and 52 lakh MT of Phosphatic nutrient of capacity spread over public, private and co-operative sectors. There are 66 large sized fertilizer plants, besides about 80 medium/small-scale single super phosphate units. The production of Nitrogen by RCF is about 7.27% and that of Potash is 2.82% of the total production in the country for the year 2001-02. Retention Price scheme is applicable to Urea manufactured at the two units. The productwise rates of adhoc concessions are fixed quarterwise based on the price of DAP which in turn is based on the international price of ammonia and phosphoric acid. Your Company manufactures the complex fertilizers by using captive ammonia and imported rock phosphates and sulphur. The Company is not adequately compensated for its actual cost of production.

#### 3.4.0 Strength and Weakness:

The Company has manufacturing units some



## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

of which have been put into operation as far back as in 1965 and have been maintained with proper replacements and maintenance to ensure that the plants can operate beyond the capacities. The Company produces low cost urea and shall be able to face the domestic and international competition when the Government takes decision to free the industry from price and movement restrictions. The units are located in Trombay (Mumbai) and at Thal (proximate to Mumbai) and both have the advantage of major sea- ports. As the raw materials for manufacturing the products are imported this helps to a large extent.

The reduced availability of gas as feedstock is the major constraint the Company faces to-day. As the fertilizer consumption is by the farming community, demand depends on the quantum of rains in a particular year. Further, the manufacturing capacity available in the Country being close to the level of overall demand, any glut due to adverse monsoon affects the sale.

### 3.5.0 Major Expansion and Diversifications:

#### 3.5.1 Joint Venture Project:

Your Company is considering a proposal for participating in a joint venture project for manufacturing Di-Ammonium Phosphate [DAP] at Udaipur in Rajasthan alongwith Hindustan Zinc Limited [HZL], and Rajasthan State Mines and Minerals Limited [RSMML]. A major consultancy Company has been engaged for undertaking feasibility study, which is at an advanced stage. A final decision on the project would be taken on finalising the feasibility report.

### 3.6.0 MODERNISATION SCHEME, NEW PLANTS AND PROJECTS

Your Company has been taking steps to modernise, improve the efficiencies of the existing plants and add new facilities. The status of the various projects taken up during the Financial year 2001-2002 is as under:

#### 1. Optimisation of Urea Plants at Thal.

An energy saving optimization scheme for Urea Plant at Thal to reduce steam

consumption is under implementation at an estimated project cost of Rs.40 crore. The steam consumption of the Urea plant would be reduced from 1.5 MT of Urea to 1.17 MT when the project is commissioned, which is likely to be commissioned in the financial year 2002-03.

#### 2. Additional Ammonia Urea Complex at Thal

A major expansion project at Thal consisting of 1350 MTPD Ammonia and 2200 MTPD Urea plant is awaiting the final approval by the Government of India. The current estimated cost of the project is Rs.1446 crore.

### 3.7.0 RESEARCH AND DEVELOPMENT

Your Company has taken up several Research and Development projects, some of the significant ones are as under:

[i] **Defoamer** – An anti foaming agent has been developed, which avoids excessive foaming and reduces the reaction problem in the nitrophosphate plants. A plant to manufacture Defoamer has been set up in January, 2002. Apart from improving the operations the defoamer is likely to effect cost savings of Rs.35 lakh per annum.

[ii] **Precipitated Chalk** – The division has developed technology for producing purified precipitated chalk as a by-product in the ANP plant, from the waste. While the chalk will have commercial value, it also solves the problem of waste disposal.

[iii] **Liquid Micronutrient Fertilizer [Microla]** – The division has developed a liquid micronutrient fertilizer, Microla, which supplies essential micronutrients, for the plant growth and balances nutrient requirement of crops, ultimately resulting in increased crop yield. Microla is being produced and marketed in Gujarat state since November, 2001 and the grade developed has been modified as per notification of Government of Maharashtra and is likely to be marketed soon in Maharashtra.

## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

**3.8.0 CONSERVATION OF ENERGY*****Energy Conservation Measure Taken:***

Your Company has implemented several energy saving schemes which has started yielding results in the form of reduction in consumption of energy. The Thal unit is presently implementing the Urea Optimisation project for reduction of specific steam consumption in Urea Plant. By implementing this, an over all energy saving of 0.15 Mkal per MT of urea is likely to be achieved.

The particulars with regard to conservation of Energy, Technology Absorption, Foreign Exchange outgo as required under Section 217[1][e] of the Companies Act, 1956 are enclosed as Annexure-I.

**3.9.0 ENVIRONMENT MANAGEMENT AND POLLUTION CONTROL**

Your Company is an environment friendly fertilizer company, complying with all statutory requirements related to safety, health and environment. Constant efforts are being made to further improve the system in line with international norms.

The Company's manufacturing units at Thal and Trombay have obtained ISO 14001 certification for its Environment Management System in the year under reference. The Company bagged the National Energy Conservation Award instituted by Ministry of Power for the year 2000-01 and the Jawaharlal Memorial National Award 2000-01 for the Best Pollution Control Implementation instituted by M/s Internal Greenland Society, Hyderabad.

**3.10.0 PUBLICITY AND PROMOTION****3.10.1 Fertilizer Promotion Activities**

Fertilizer promotion activities continued to play an important role in achieving sales turnover. Your Company has established around 54 Farmer Service Centres for providing services such as soil sample collection, arranging farmers meeting, film shows, exhibitions and for providing general guidance in the fields of farming. 34 farmers'/dealers' training

programmes were conducted at the Company's Farming Training Centres.

**3.10.2 Integrated Rural Development Programme**

As part of its commitment to improve the socio-economic conditions of the farming community, the Company adopted 14 villages from seven states during the year. Some of the activities undertaken in the adopted villages include:

- (i) Community requirements: Construction of Community hall, library building, installation of water pumps, bus shelters, sanitation facilities.
- (ii) Agricultural: Block/Crop demonstrations, supply of agricultural implements, improved seeds, fertilizers etc.
- (iii) Individual help: Sewing machines, flour mill etc.

**3.11.0 HUMAN RESOURCES****3.11.1 Training and Development**

The contribution of Human Resource Development in fulfilling the corporate objectives has been significant. Several training and development programmes were organized by the Corporate Management Development Center and Training Institutes to impart knowledge, sharpen the technological and managerial skills to equip the managers to proactively deal with the demand of Management of change. Retraining and redeployment has been the focus to ensure availability of result oriented competent workforce. Suggestions Scheme, various competitions and other events helped in improving the Quality Work Culture.

**3.11.2 INDUSTRIAL RELATIONS**

Your Company maintained cordial industrial relation with all its employees. All the issues are settled through regular discussion, meetings and dialogues with the employees. The Company has 4962 employees comprising of 1623 officers and 3339 workmen as on 31<sup>st</sup> March, 2002 compared to 5407 employees (1824 officers and 3583 workman) as on the



## RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

corresponding date of the previous year. The reduction in the strength is essentially on account of the Voluntary Retirement Scheme offered and the normal retirements.

### 3.11.3 WELFARE AND SPORTS

Your Company undertakes several welfare schemes like education, medical, transport, housing etc. according to the needs of the employees. In regards to sports, various teams of your Company have participated at District, State and National levels and won prizes.

### 3.11.4 EMPLOYMENT OPPORTUNITY TO WEAKER SECTIONS:

There are 628 Scheduled Caste [SC] and 273 Scheduled Tribe [ST] employees on the Rolls of your Company. Apart from this, your Company has provided employment to 26 physically handicapped persons also. During the year, out of 43 persons recruited by your Company, 2 belonged to SC, 2 belonged to ST, 18 belonged to OBC and 2 belonged to minority communities.

### 3.11.5 PARTICULARS OF EMPLOYEES:

None of the employees of your Company received a remuneration in excess of reportable amount as laid down under section 217(2A) of the companies Act.

### 3.12.0 INTERNAL CONTROL SYSTEM:

The Company has designed a good Internal Control System to provide adequate assurance of the efficiency of operation and security of its assets. The effectiveness of the internal control systems, its adequacy and compliance with the laid down procedures is amply covered by Internal audit to assure that the accounting records are maintained as per Statutory requirements and that the financial and operational information is reliable. The Internal audit Group comprises of adequate number of financial and technical personnel.

The Company has instituted sound Budgetary Control System. The detailed capex and operational budgets are deliberated in detail by the Board before they are approved. Appropriate

monitoring mechanism to compare the actual performance with the budgets ensures that necessary review is periodically undertaken.

### 3.13.0 COST AUDIT:

As per the Government's directive the Company's Cost Records in respect of manufacture of Urea and Sulphuric Acid for the year ended 31<sup>st</sup> March, 2002 have been audited by the Cost Auditors Mr. Prakash A. Sevekari, Mr. V.J. Talati and Mr. Rohit J. Vora, and no adverse findings were reported.

### 4.0.0 IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

Your Company continued to make efforts to fully implement the provisions of official language Act 1963 and the policy of the Government. Publicity material and literature for employees and farmers were made available in Hindi and other regional languages. A large number of employees have been trained to use "bi-lingual software" for correspondence and other official work. A newsletter "RCF Bhasha Darpan" was also brought out to enhance the use of Hindi.

### 5.0.0 De-Listing:

The Company's shares are presently listed on NSE, BSE and also on Delhi Stock Exchange, Kolkata Stock Exchange and Madras Stock Exchange. The trading other than on NSE and BSE has been very negligible. Considering the costs and other aspects, your Company wishes to de-list its shares from Delhi, Kolkata and Madras Stock Exchanges.

### 6.0.0 Directors' Responsibility Statement:

The Companies Act, 1956 requires the Board of Directors of the Company to prepare accounts for each financial year giving a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

The Directors state that:

- i] in preparing the annual accounts, the applicable accounting standards have been followed.
- ii] the accounting policies adopted have been consistently applied and wherever